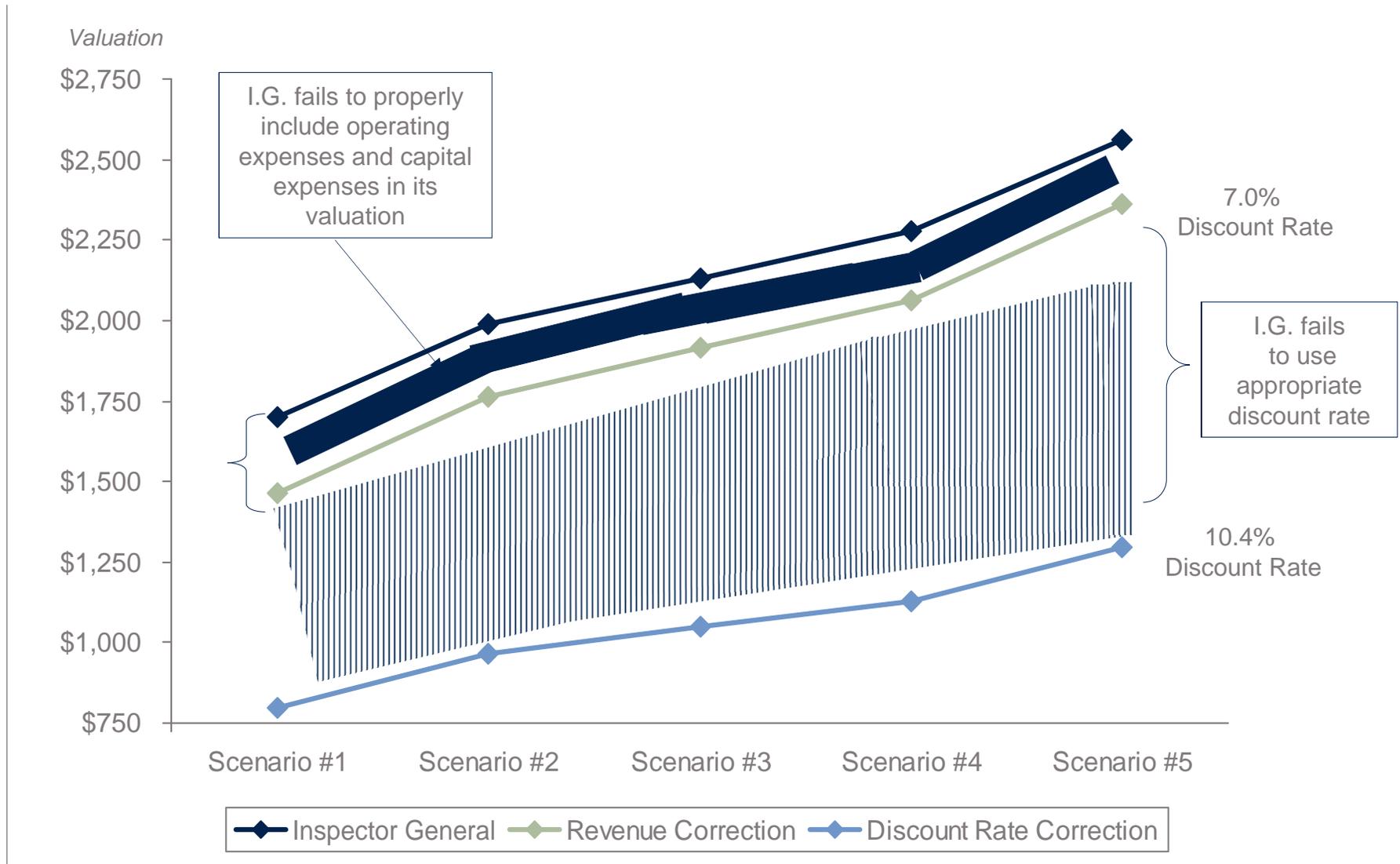


Valuation Corrections



Discount Rate Correction

Risk Bands for Partnership Victoria Projects¹

Very
Low

Inspector General Assumption

Discount rate = 7.00%²

² Technical note calls for a discount rate of 7.06%, I.G. rounded down to 7.00%

Low

Water, transport and energy

Discount rate = 8.26%

Medium

Parking

Discount rate = 10.40%

- The Inspector General's Report failed to follow the methodology it sourced regarding the appropriate discount rate
 - Partnerships Victoria is a division of the Commercial Division in the Department of Treasury and Finance for the State of Victoria (Australia)
 - Technical Note regarding the use of discount rates in July 2003, updated January 2005
- The implication of placing the Parking Meter System in the Very Low risk category is that demand for water is more elastic than demand for on-street parking
- The Partnerships Victoria analysis identifies several factors that can drive a project to the next risk category, several of which apply to the Parking Meter System
 - Project value in excess of \$500 million
 - Unique system risks
 - Demand risk is fully transferred
- Other approaches produce a discount rate range of 10% to 14%

¹ Partnerships Victoria: Use of Discount Rates in the Partnership Victoria Process Technical Note, Department of Treasury and Finance, July 2003 & update January 2005